

Schulte, Expert in Real Estate Psychology

Success as a Merchant Due in a Large Measure to Ability to Foresee Great Movements in Trade and Population

Who is New York's smartest real estate man? was a weighty question which engaged the attention of a group of brokers at luncheon one day last week. During the discussion the names of some dozen or more brokers and operators of the present and past generations were mentioned, and it was a pretty close race between several men whose activities have been filling columns of the newspapers, when one of those present remarked: "What about Schulte?"

"Oh," replied another, "but he is not a real estate man."

"He isn't, eh," said the first: "well, I want to tell you he is one of the largest holders of real estate in this town, and, what is more, he acquires he keeps. Schulte year in and year out is the most active real estate man in New York. He is years ahead of any movement and he is one of the few men whose very actions help to make a real estate market."

"Guess you are right," said a well known downtown broker. "I'll agree that Schulte is the liveliest wire we have to deal with to-day."

"D. A." as his associates know him, is not a real estate trader. Practically all of his business is done on a leasing basis and never is done purely in the sense of a real estate transaction. The various properties he has acquired from time to time were taken over solely for the extension or protection of his business. That business is the selling of tobacco in its various forms, but in the process he has acquired more than 150 properties, most of which comprise real estate of the greatest importance and highest values in this and other cities. In fact, Schulte as a real estate man has grown to such proportions as to require a special large department of experts to look after the details of his many holdings.

Schulte is the kind of buyer and lessee with whom brokers like to deal. They like his quick action on propositions offered him and they like his reliability when once he has entered a deal. They are impressed by his wonderful memory of properties, his knowledge of values and his willingness to help them in tight places. All brokers admit that he has rare judgment, and his associates declare that he seldom makes a mistake in judgment regarding a piece of real property.

Part of His Business

It was a necessary part of the building of his big business establishment for Schulte to know all about New York real estate—not only locations, values and rentals, but even details of construction of most of the buildings in important trade neighborhoods. How he found time to learn all these things while conducting and building a business organization is a problem among his friends in the brokerage business. But that he did so is evident to anyone who puts a proposition before him. Schulte never says: "I'll look at the property to-morrow," because he already knows practically everything that he wants to know about any property that may be offered to him, and a broker is pretty sure of a "Yes" or "No" on the first visit.

While the broker is putting forth his proposition Schulte is figuring with pencil and pad, and by the time the story is completed he is ready with his answer, and most times, thinking aloud, he will draw a picture of the possible use he could make of, and what he might expect in the way of income from his venture. As a result of these calculations Schulte's decision is reached, and either he takes no interest in it, or he never barters

for a price and his word once given is final.

Perhaps the methods of this young real estate giant can be illustrated best by the recital of an actual occurrence. Not long ago a valuable corner property was put on the market for sale. The price asked by the owners was \$1,200,000, and though Schulte seldom buys he was interested in this property because its acquisition by some one other than himself might result in the establishment there of a rival concern which could cut into the business of one of his largest stores, near by. While the proposition was being offered to Schulte he was busily engaged in his usual mathematical problem, and within a few minutes he had reached his conclusion.

Would Pay for Protection

"That property," he said, "is worth just about \$900,000, and that all it will be worth. I can afford to pay \$1,000,000 more for it than some one else can because to lose it would mean that my business nearby would suffer to the extent of \$1,000,000. I will sign a tentative contract right now and I'll give you a certified check for \$100,000 to bind the deal."

The broker, quite satisfied that the deal was closed, called up his principals to tell them the details, and was told to bring Schulte around to them to discuss the matter. In the meeting that followed the owners of the property did their utmost to have Schulte raise his bid to \$1,200,000, despite the fact that the broker in whispers warned them that if their talk could not convince him and that their attempts to force his position might lead to his quitting the deal. But they thought that Schulte was trying to dicker for a price. They couldn't believe that he had made up his mind definitely, and that nothing they said or did could cause him to alter his position. So the upshot of it all was that after a few minutes Schulte picked up his hat and departed with the injunction that his offer was good for that day only.

Even then the owners would not take Schulte at his word, figuring that he could be brought to their point of view, and their surprise was great when a few days later, received word that he was not at all interested in the proposition. It required six months and considerable effort to engage Schulte's attention again on a leasing basis and in this instance, although both parties agreed as to terms, a second split came when the owners demanded securities for the lease entirely beyond reason and practically beyond Schulte's power of compliance.

Then came the third and final attempt to land him on a lease of a part of the property, but before Schulte would do any dealing he demanded from the owners all their terms and conditions in writing, and when the terms closed the deal. The sequel to this is that the property could not be sold to-day for within \$250,000 of what Schulte offered for it; the owners are

obtaining about \$14,000 a year less for the property than Schulte would have paid them on a cross rental basis and from that part that he did lease, Schulte has obtained a net return of about \$8,000 a year. Meanwhile his nearby store has no competitor.

Until about two years ago Schulte controlled about fifty properties in New York City, principally downtown corners and Broadway sites up to Ninety-first Street. In the interval his holdings have increased to more than 150 properties, about thirty of which are in large cities as far west as St.

Louis and as far south as New Orleans.

In such cities as Chicago, Philadelphia, Washington and Boston he has acquired some of the largest and most expensive locations and has established new values in many of these cities. In greater New York he has taken property at every principal point. His rentals run from \$50 a month to as high as \$2,000 a month for stores, and some of the property which he has leased entirely runs into figures of many thousands of dollars a year.

To carry on such extensive business requires an almost unlimited fountain

of knowledge of conditions and rare judgment as to future development. Schulte generally is in advance of every large movement of population, and there are those who find his judgment so good that they follow in his footsteps. Long before the trains are running in new subways or on new transit lines Schulte will have acquired locations at the principal points along the routes. Usually his judgment is justified, but occasionally, as at the corner of Lexington Avenue and Twenty-third Street, where the subway plans were changed after Schulte had closed a lease, he encounters a setback.

Schulte's knowledge of real estate is not only a protection to himself, but is often a decided aid to brokers who attempt to make deals. For while the broker may consider the proposition purely from the real estate point of view Schulte applies the merchant's knowledge to the proposition, and generally improves it. For instance, there are many buildings in New York City, as was the old Chatham and Phoenix Bank Building, at the corner of Broadway and John street. Standing at the intersection of two principal streets, they have show windows on one thoroughfare and a blank wall on the other. It was Schulte who started a practice of making these corner stores worth practically twice as much by replacing the blank wall with show windows.

All Details at Hand

Then, also, in making deals Schulte applies to the fullest extent his great knowledge of actual conditions. Every prominent corner in the city has been clocked by his men and Schulte has right at his finger tips the numbers of people who pass a given point during the course of the day, their character, buying power and all the details made in an accurate survey. He knows not only real estate values, names of owners and tenants of properties, but he knows also the terms and rates of leases, details of building construction and probably has worked out plans for the use of a property pending its being offered to him. Sometimes a broker is mightily surprised when on calling Schulte that three stores can be made in a building where there is now one Schulte replies that it cannot be done because of the arrangement of interior posts. And often the broker is more than pleased when, having completed his story, Schulte tells him of one or two important features that add materially to the proposition which have been overlooked.

Occasionally a broker who may be given to that sort of thing tries to mislead Schulte, but he doesn't get far before he finds that he has selected the wrong victim. Then all negotiations are off and Schulte never deals with such a man the second time. He has been known to tear his signature from leases with sub-tenants where the sub-tenant has expressed himself as dissatisfied, and it is said of him that he has never forced a sub-tenant who through misfortune



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Controls Now More Than 150 Properties, Many of Them at the Most Important Centres in This and Other Cities

has been unable to perform the terms of his contract.

When recently the Schulte real estate business became so great as to require special attention, a department in the organization was formed to handle it with Arthur S. Meyer, vice-president of the Schulte concern, as its head, and while the real estate committee presided over by Mr. Schulte still controls the matter of policy the real estate department has charge of all properties and its business is so extensive now as to rival the parent industry. In handling the Schulte business Mr. Meyer is applying the same enterprise that brought him success and recognition as one of the principal property brokers of the city a few years ago.

cottage with another couple. Our representative informed him that she would be very glad to find a couple to share the house. You can probably imagine the surprise given our representative when the renter stated that he wanted \$25 per month for two-half the house when only a day or two before the registry had located him in the cottage at a monthly rental of but \$25."

One of several similar cases found by the committee was the leasing of a furnished apartment four separate times within eight months—the first time for \$7,000, then for \$12,000, soon thereafter for \$17,000 and finally for \$24,000, each new lessee raising rentals.

"The committee was assisted in its work by two sub-committees. One of these sub-committees appraised all real property and the other appraised personal property.

"Of the 700 cases," the statement says, "were adjusted by the committee; 463 cases involved an advance in rentals totaling \$15,000.65. The saving to complainants amounted to \$1,183.55 per month, or \$38.49 per annum. The average rent saved because per month was \$8.89, or \$25.50 per annum. In four cases rents were advanced; 157 cases were withdrawn and forty-five cases involved matters other than rentals. Many cases of ejectment were prevented by the committee. Repairs to buildings, involving sanitation, cleanliness, heating, etc., were effected in several cases."

Coast Rent Profiteers Cannot Be Satisfied

Subleases Give Them Free Rent, Besides a Good Revenue

Still They Complain

The Bureau of Industrial Housing and Transportation, Department of Labor, has received from its field agent on the Pacific Coast a statement of his observation of the work done by the Fair Rentals Committee, of Seattle, Wash. The committee, after investigation, reports that it found subletting and the multiplicity of leases to be the worst features of rent profiteering.

"One party complained to the committee," the statement reads, "because the owner charged him a monthly rental of \$100. Upon investigation it was found that the complainant was renting rooms which brought him a return of \$150 per month, thus keeping quarters for himself and family.

"Recently our registry with considerable trouble placed a family, a former Canadian soldier and his wife, in a four-room house, which he had rented for one month. A day or two afterward the renter returned to our office and stated that he would like to share the

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German Prisoner for Three Years Returns to Realty Work

Harry G. Martin, son of C. Grayson Martin, the well known Fifth Avenue real estate operator, has joined the organization of Fred W. Kilman as a broker in the private house department.

Mr. Martin was in a German prison for three years, having been captured in the first battle of Ypres while serving as a lieutenant in the British Intelligence Corps, having joined the British army on August 5, 1914.

Tenants' Ownership of Flats Solution of Trouble

Portional Purchase Plan Applicable to Many Apartments, Says William E. Harmon; Would Be a Wonderful Feature for Realty

By William E. Harmon

The interest manifested in our portional purchase plan is evidence that it contains something that fits into and supplies a great economic need of modern city life. This plan undertakes to assist the man who is unable to own a home, or who for some reason is unwilling to assume its responsibilities, to become independent of the whims and exactions of the landlord.

To paraphrase a well-known quotation, "The plan by any other name would work as well," provided always that there are essentially the same attractive and protective features. Unfortunately one cannot copyright an idea, otherwise we might be tempted to monopolize the portional purchase plan. As it is, we feel that we are entitled to the right to set forth certain sign posts that will point the way toward a bright and better future. The plan of the idea, and danger signals that will warn the public against the misuse or abuse of a method of acquiring an ownership of real estate that has great social and economic possibilities.

Plan Applicable to Many Apartments

There are thousands of apartment houses in New York City that would lend themselves to subdivision and ownership among the classes now down to tenancy. This division of ownership would benefit the harassed landlord who, at the moment, is anathema in the mouth of the politician and unthinking public. It would be of far greater benefit to the public because it would stop further rental increases that are otherwise inevitable, and it would bring an increasing pressure to bear on the city and state government to practise economy, and see that real estate was relieved of its abnormal production of the cost of government. It would provide a field for profitable, and if fairly capitalized, conservative investment. The president of one of our New York savings banks said to me a few days ago: "I want to see your portional purchase literature on my desk. We are the advisers of hundreds of small savers who have accumulated a small sum of money and want to invest it. We consider ourselves in the light of trustees. To some I suggest the purchase of seasoned bonds, some I advise to buy high-grade stocks, some I served by your system of apartment home ownership." I replied: "Mr. S., I appreciate your confidence, but I prefer you to wait until the experimental stage is past. The editor of the real estate department of one of the large dailies has stated that he believed the securities represented by the portional purchase in apartment houses should supplement, if not cut into sale of mortgage certificates.

These instances are recited to call attention to the impression that is being made on the intelligent public by a carefully studied method of selling the interests in apartment houses in small units.

Rules for Investors Guidance

There are a few "ear marks" the observance of which will protect the investor against hazardous investments in apartment houses, and conversely there are a few rules which, if adhered to by the owner of an apartment house, will indicate that he has striven to develop the proposition along fair and equitable lines.

The capitalization of a steam-heated apartment should not exceed 7 to 7½ times the actual annual rents received. The purchaser of small units should be protected through a trusteeship established with some trust company or well known concern by which the property may be administered for the benefit of all the shareholders.

The statement of income and expenses should be in complete detail, and these details should be verified by personal investigation, or referred to a broker not interested in the sale. They should cover interest on mort-

More Stores and Suites For 5th Avenue District

Senior and Allen Lease 48th St. Dwellings From Gerry Estate

In response to the demand for stores and living premises in the Fifth Avenue section the two dwellings at 5 and 7 East Forty-eighth Street are to be made over, with stores on the street level and apartments above. The changes are to be made by Walter Senior and Robert B. Allen, under the name of the Sar Realty Company. They leased the property yesterday from the Gerry estate for a long term of years through the Crutcher Company. The Rangle Construction Company has the contract for making over the houses. George and Edward Blum designed the alterations.

Lawyer Buys 92d St. Dwelling

William E. Roome & Co. have sold for the United States Trust Company, a trustee of the Draper estate, the five-story American basement dwelling, with elevator, at 49 First Avenue-second Street. The buyer, Harrison Tordoff, the law firm of Taylor, Humes & Bezz, will occupy the premises.

Investor Buys Large 36th Street Apartment

One of Three Twelve Story Houses Erected by the Same Builder 3 Years Ago

L. Randolph Jacobs and Everett Jacobs have sold to an investor, through the Frank L. Fisher Company, the twelve-story apartment house at 310 West Eighty-sixth Street, on a plot 72x100. This is one of the three apartment houses erected by Mulliken & Moeller on this street three years ago.

Marimplot Court Sold

Kurz & Uron, Inc., in conjunction with George Coster, have sold for a client of Sydney Hieles 521 and 523 West 122d Street, a six-story elevator apartment house, known as Marimplot Court, on a plot 62x100-11.

Buyer for 116th Street House

J. Goldfarb has sold the six-story elevator apartment house at 227 and 229 West 116th Street, on plot 40x100.

Brooklyn Garage for Investor

Baldley & Horton Company have sold 650 Sixty-eighth Street, recently Company, a two-story and cellar garage for Alfred M. Nicholson to a client for investment.

Bronx Flat and East Side Property Deal

Norfolk St. Corner Given for Apartment in Creston Av. and 182d St.

Frederick Brown has sold to Joseph Rudinsky through Bernard London the southwest corner of Creston Avenue and 182d Street, a five-story apartment on a plot 72 by 112 feet, irregular.

In exchange the buyer gave the northwest corner of Broome and Norfolk Streets, a five and a half story, with seven stores, tenement on a plot 44 by 78 feet.

Home Street Resale Brings Profit

James J. Donovan has resold for the Robbins Realty and Construction Company (J. Maline, president), to Celia Schlesinger, 1002 Home Street, an apartment on a plot 50 by 100 feet. The Crutcher Company brokers to the sellers last month.

Trust Company Sell Property

Horace E. Ely & Co. has sold 1817 Bergen Street, on a lot 17 by 100 feet, for the Farmers Loan and Trust Company to John R. Ryan.

The Crutcher Company has sold the building at 244 East Fifty-ninth Street.

\$500,000 for Sherry Building Alterations

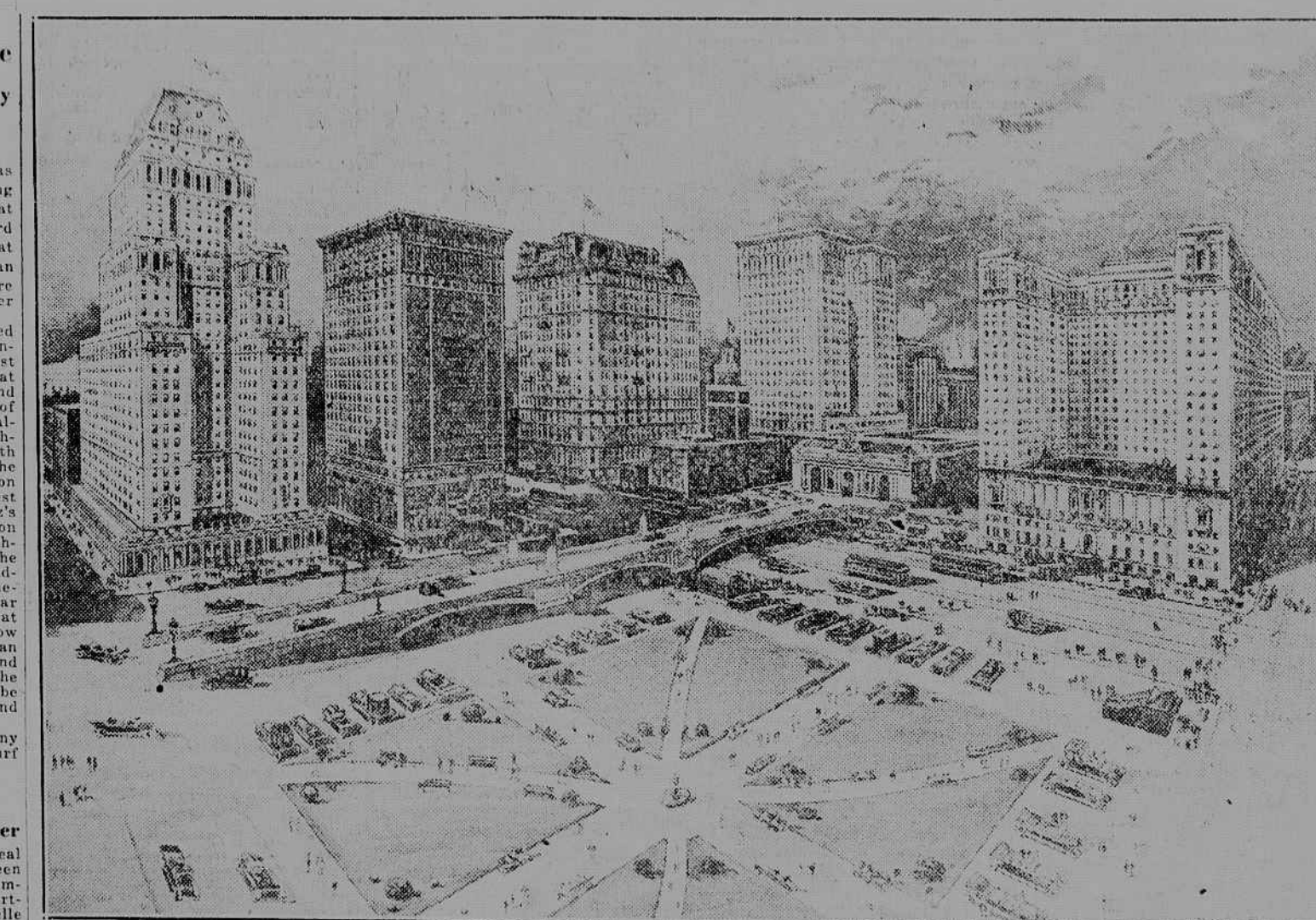
Property Recently Taken Over by Guaranty Trust Company for New Home

The site of Sherry's Restaurant, at the southwest corner of Fifth Avenue and Forty-fourth Street, which was recently taken over by the Guaranty Trust Company for its banking business, is to undergo alterations estimated to cost \$500,000.

The building is an eleven-story structure and plans for its changes have been prepared by the architects, Cross & Cross. The removal of the case of this property to Louis Sherry, full fall, which has now been taken over by the trust company, calls for a rental of \$100,000 a year for the corner property, which is owned by Irving Brokaw, and \$23,000 a year net for the adjoining property on Fifth Avenue, owned by Josephine Brooks. These leases are for twenty-one years, which shows a total of \$4,173,000 the owner would have received at the end of the term.

Sherry, in the deal with the trust company, is to take over the quarters now occupied by the Guaranty Trust Company, at the southeast corner of Fifth Avenue and Forty-third Street, for his restaurant.

Proposed Pershing Square Park at 42d St. and Park Avenue Centre of Interesting Controversy



Proposed use for old Grand Union Hotel Block—Perspective shows relationship of viaduct, Grand Central Station and city's big hotels

The above is a perspective of the proposed Pershing Square on the old Grand Union Hotel block just south of the Grand Central station and faced by several of the largest hotels in the city. The proposal has developed an interesting controversy between the municipal authorities on one side and

the state Legislature and hotel interests on the other. Controller Craig is opposed to the plan because of the cost.

The Public Service Commission holds title to the Park Avenue block front from Forty-first to Forty-second street, on which stood the Grand Union Hotel. It was purchased for

the purpose of facilitating the building of the subway loop under the property, connecting the Fourth Avenue subway tracks with the Lexington Avenue route. The building was old and the subway builders would be endangered if they attempted to cut under the hotel.

A bill has been passed quietly by the

Assembly which permits the transfer of property held by the Public Service Commission to the Park Department. The measure is now in the Senate, where it is held up by Senator Foley. The Senate passed the bill the other day, but at one time sentenced to be shot, told the commission that the world was facing a lumber famine.

"Prices of lumber," he said, "are

Lumber Costs Are Upward Bound, According to Experts

Bolshevism in Europe, Government Interference Here, and Higher Operating Cost Chief Causes; Inefficiency Is Produced by Wage Increase

Many lumber men who attended the annual meeting of the American Lumber Congress and the National Lumber Manufacturers' Association convention in Chicago last week were of the opinion that the price of lumber is going still higher. The legislative commission investigating prices of materials was in Chicago during the session of these organizations. Before the commission the lumber men said that conditions caused by the war—the great demand for lumber needed abroad and the increase in wages—were the principal factors for an increase instead of a decrease in the cost of lumber this summer.

Charles R. Keith, of Kansas City, Mo., chairman of the association's committee on Federal relations, said he believed the advance in price would be one-third over present prices before the end of the fall season.

The cost of production has mounted 217 per cent, Mr. Keith said; "moreover, we face the loss of 105,000,000,000 feet accumulated in Europe during the last few years. Russia and Austria-Hungary need to furnish 90 per cent of the world's supply, and Russia will be out of the market for at least four years. Production in the United States likewise has fallen to 70 per cent of the pre-war output. The result is an insufficient government price and the taking of the most efficient employees into national service."

Operated Mills at Loss

Mr. Keith told the legislative commission that in April, 1917, the average cost of producing Southern pine lumber was \$15.18 a thousand feet, while the cost in January, 1919, had increased to \$25.55. Last January the commodity was sold by the manufacturers at a loss, the price being \$22.50, while the present profit was a trifle over \$2 a thousand feet. He presented a survey of the cost of production at ninety-six Southern mills which he said should earn a profit of \$9 a thousand feet in order to bring a fair return on the actual capital invested.

Wage Increase Produces Inefficiency

He told of one Texas mill where the increased wages granted had aggregated \$2 a thousand feet. "Despite this large increase in wages labor was 42 per cent less efficient than before the war. Increase in wages and inefficiency of labor, he said, had increased the labor cost in production at this mill 217 per cent.

"Although the lumber mills in the South are paying their workmen unusually high wages, our experience has shown that the standard of living has not increased and labor is much less efficient than formerly," said Mr. Keith. "It seems to be a peculiar trait of human nature that the more money a man earns the less work he will do. That rule, I believe, applies to all classes of men, office employees, superintendents and laborers alike.

"If a man is earning just enough to keep him he will work readily, but if he can earn enough for his wants in two days a week the tendency is for him to lay off the rest of the time."

"This is rather an unfortunate deduction to draw," remarked Chairman John Bailey. "We have been under the impression that higher wages to labor brought a higher degree of efficiency."

"I am drawing my conclusion from actual experience of lumber mills, based on figures taken from the books, and therefore there is no theory in what I say," replied Mr. Keith.

Reasons for Higher Prices

Roger E. Simmons, who was sent to Russia in 1917 as a member of a United States government commission to study the lumber situation in the vast forested countries, who was taken prisoner by the Bolshevik government and at one time sentenced to be shot, told the commission that the world was facing a lumber famine.

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According to the Bronx Board of Trade, there are on file at its quarters in offices of real estate men applications for millions of square feet of floor space. The board's applications amount to over 1,000,000 square feet in the 2,250 Bronx factories that are going full blast, and there are more new factory operations. The payroll this year to exceed \$81,000,000.

Of Manufacturing Space

Bronx, along with the other boroughs, is short on manufacturing space.